

INDUSTRY UPDATE

Biweekly Period Ending April 7, 2001

Phoenix Metro Area

Manufacturing

The fallout from the slowdown at high-tech companies continues to be felt at a number of Valley operations (also see recent issues of *Industry Update*). **Honeywell Aerospace**, which laid off 225 Phoenix-area employees in January, said in late March that **another 475 jobs will be eliminated** due to reduced orders for its aircraft engines and avionics components. Most of these cuts — representing 3 percent of the Morristown, N.J.-based company's Arizona workforce of 16,000 — will likely occur at Honeywell's Valley facilities (Phoenix, Tempe), with some also affecting a Tucson plant. ... **Motorola**, which recently announced that 1st quarter 2001 (loss of \$206 million) was its worst quarter since 1985, divulged that **300 jobs at its network-ing division's operations in Scottsdale and Chandler will be eliminated**. And expect the layoffs to continue (another 4,000 job cuts announced on April 11 for a total of 26,000 worldwide since January) as the company reorganizes to stem the flow of red ink in its cellular phone and semiconductor operations. ... Chandler-based **Durel Corp.**, which makes luminescent devices for cell phones and other electronic products, followed up on its cut of 47 jobs in early March with the **layoff of an additional 87 workers**. ... Although **SpeedFam-IPEC** reported a smaller loss than expected in the fiscal quarter ending March 3, the company nevertheless said it would **cut 220 jobs at its east Valley operations**. The Chandler-based company makes semiconductor-manufacturing equipment.

Looking toward the future (and hopefully a revived high-tech sector), **Arizona State Uni-**

versity will partner with Intel Corp. and Motorola to double the number of engineers specializing in embedded computing at ASU's College of Engineering and Applied Science. Called the Consortium for Embedded and Internet Working Technologies, the program will **offer up to 40 internships** at the two companies within the next 18 months as part of class credit. Embedded computing involves the electronic control of products using communications, Internet, and networking equipment. For example, programming a refrigerator to read bar codes on packages to determine the refrigerator's optimal temperature setting.

Construction

While the high-tech market is in a slump, the **construction industry in the Phoenix metro area remains red hot**. Single-family housing permits were up nearly 14 percent for the first two months of 2001 compared to the previous year — 5,158 vs. 4,528. Lower interest rates were partially fueling the strong home market. The commercial and industrial real estate market is also in good shape, witness the growth of warehouses and office buildings along Valley freeways. One example: three office projects planned by Roth Development Corp. off Loop 101 in Deer Valley. Roth has started work on a 145,000-square-foot building at 7th Avenue and Loop 101, called Deer Valley Center, that is scheduled to open in mid-2002; and has plans for a 200,000-square-foot building at Cave Creek Road and 101 and a 26,000-square-foot structure at 15th Avenue and 101. And **expect the good news** in the office and industrial market to **continue at least through 2002**, according to *MarketWatch 2001*, an annual report by CB Richard Ellis. The publication

expects 3.5 million square feet of new office space in 2001, with a vacancy rate of 10.5 percent (up from 8.3 percent in 2000); an additional 9 million square feet of industrial space, with a declining vacancy rate (6.5 percent vs. 7.4 percent in 2000); and the opening of 36 new retail centers.

Finance, Insurance, and Real Estate

GE Capital Corp. has agreed to **purchase Franchise Finance Corp. of America**, a Scottsdale company that provides financing for franchisees of chain restaurants, auto-parts retailers, and convenience stores. GE Capital, a subsidiary of General Electric Co., said it **doesn't expect to lay off any of Franchise Finance's 190 employees**. The \$2.1 billion sale needs approval from stockholders of both companies and federal officials.

Trade

Sears, Roebuck & Co. is **buying two Montgomery Wards stores and auto centers** in the Valley, as part of plans to purchase 18 of the former retailer's outlets, along with 10 stand-alone auto centers, and service contracts for 2.4 million customers. Sears expects to **reopen** remodeled stores at **Arcadia Crossing** (Phoenix) and **Arrowhead Towne Center** (Glendale) by **spring 2002**. Previously, Target Stores announced it was buying 35 Wards stores, including two at undisclosed locations in Arizona.

Scottsdale-based Discount Tire Co. is planning to **build a new corporate headquarters** on 16 acres at Thompson Peak Parkway and Scottsdale Road. The 41-year-old company, which has **240 corporate employees** at several Scottsdale Airpark sites, expects to **move into its new home by late 2002**.

A new corporate building, however, doesn't necessarily mean Discount plans to expand its corporate workforce.

Services

A China-based computer-aided design firm and the University of Phoenix's first east Valley location highlight a list of tenants planning to lo-

cate at a recently completed 75,000-square-foot **Mesa office complex** called **Stapley Center** (Stapley Road and U.S. 60). Chinese designer **P and S Electronics USA**, which **expects to hire up to 50 employees**, will lease 5,000 square feet at the new office site, while the University of Phoenix will lease an undisclosed amount of space. Scottsdale-based **Denali National Trust**, which has been involved with several significant office projects throughout the Valley (e.g., Broadway 101 in Tempe and Northsight Financial Center in Scottsdale), **developed** the Stapley Center.

Tucson Metro Area

Manufacturing

A national downturn won't affect **Raytheon Missile Systems' hiring plans for 2001**, the company said at a recent hiring fair for engineering students. The Massachusetts-based company, which employs more than 10,000 in Tucson, **expects to hire 1,000 engineers** this year, on top of the 1,000 hired a year earlier. The average starting salary for an engineer at Raytheon is around \$50,000. An expected buildup in national defense by the Bush Administration is one of several reasons for Raytheon's optimism. **Graduates of the University of Arizona's business and public administration schools**, however, **won't find the job market as friendly**. Fewer companies than a year earlier attended a Career Showcase recruiting fair in late February. Among the no-shows was Honeywell, which has laid off 700 people in Arizona this year (see "Phoenix Metro Area," above).

Construction

One million square feet of industrial building space in the Tucson metro area, the highest amount since the mid-1980s, is expected to be **under construction by mid-2001**. The difference between now and then is that currently there is a low vacancy rate (8 percent), while in the '80s much of growth was due to "spec" building financed

by easier lending policies. Primarily, **manufacturers with significant employment** wanting sites near major highways (e.g., I-10, I-19 and north Oracle Road) are **behind more than a half-dozen projects** in the Tucson MA. Among projects planned or under way: an expansion of the 1,345-acre **University of Arizona Science & Technology Park**, including an executive hotel and convention facilities; **three 150- to 270-acre office campuses** being developed by **Diamond Ventures** in southeast Tucson and in Sahuarita; an 80,000-square-foot **Continental Ranch Commerce Center** in northwest Pima County at I-10 and Cortaro Road; a 23-acre **Shannon Technology Center**, River and Thornydale roads, **opening this fall**; and a 338-acre **Rancho Vistoso Tech Center** in **Oro Valley** (West Tangerine and North Oracle roads, with its first phase becoming home to **Ventana Medical Systems beginning this July**. Ventana makes products that diagnose cancer and infectious diseases.

Trade

Don Mackey is **opening showrooms and service operations** at the **Tucson Auto Mall** (north of Tucson at I-10 and Exit. 254, see map) for his BMW and Cadillac/GMC/Saab products. The BMW service center will feature 20 service bays, while the Cadillac/GMC location will have 50 bays.

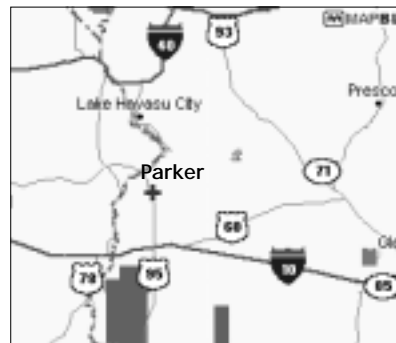


North Carolina-based **Krispy Kreme Doughnuts**, which is expanding across the country almost as fast as it makes its famous glazed pastries, is expected to **open its first two stores in Tucson** this year. Krispy Kreme is also planning to add two stores to its three existing locations in the Phoenix area.

Balance of State

Miscellaneous

Economic opportunities appear to be **on the rise** for **two rural areas** of the state that didn't experience much of the 1990s boom times. **La Paz County** and the Colorado River community of **Parker** have



enjoyed a strong tourism season the past three years, partly at the expense of more populated areas in the state. Snowbirds have flocked to the western Arizona county, according to a Northern Arizona University study, partly because tourists are looking for less traffic, crime, and pollution. In 2000, **gross revenue from** areas of the economy affected by **tourism** (retail sales, services, hotel/motels) **rose 4½ percent**, or nearly \$5 million. Also, a \$52 million **BlueWater Resort and Casino**, which opened in October, is expected to **bring in more tourists**. Meanwhile, the **opening** of the final stretch of the **widened Beeline Highway** (to four lanes) between Phoenix and Payson in late April **may mean a pickup of tourism and other business**. The widened state Highway 87 should increase sales tax revenue and stimulate economic development, said Payson Mayor Ray Schum in the weekly *Payson Roundup*. Also, the current widening of Highway 260 between Payson and Heber, which when complete will bring in additional traffic to the Rim Country, will also help Payson business development, the mayor said.

Statewide

Manufacturing

The **reduction** and **consolidation** of **auto**

parts plants owned by **Delphi Automotive Systems** of Troy, Michigan, will **idle operations in Tucson and Fort Defiance** (on the Navajo Reservation), **costing 135 Arizonans their jobs**. More than 90 (mainly production) workers will lose their jobs at a Packard-Hughes wiring-harness plant over the next 12 months, while 44 of 100 workers at H E Microwave, which makes radar-detection devices for high-end cars, will be laid off at the Tucson plant in the near future. A slowdown in the automobile industry is primarily responsible for the cutbacks.